

Message Text

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44

ACTION EUR-25

INFO OCT-01 ISO-00 AID-20 CIAE-00 EB-11 FRB-03 INR-11

NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03 CIEP-03

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USDOC WASHDC

INFO AMEMBASSY BELGRADE

AMEMBASSY BUCHAREST

AMEMBASSY MOSCOW

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

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AMEMBASSY WARSAW

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E.O. 11652: N/A

TAGS: ECON, HU

SUBJ: HUNGARIAN FOREIGN TRADE DURING FIRST HALF OF 1974

VIENNA FOR EWTC

1. SUMMARY: ACCORING TO JUST RELEASED STATISTICAL DATA, HUNGARIAN FOREIGN TRADE POSITION SOFTENED NOTICE-ABLY DURING FIRST SIX MONTHS OF 1974. WHILE TOTAL TRADE ROSE AT RATE OF 26 PERCENT, MAJORITY OF THIS INCREASE RESULTED FROM 34 PERCENT RISE IN IMPORTS. TOTAL EXPORTS DURING SAME PERIOD WERE UP ONLY 16 PERCENT. AS RESULT HUNGARIAN TRADE DEFICIT WITH NON-CEMA AREA DOUBLED IN COMPARISON TO FIRST HALF OF 1973 WHILE TRADE SURPLUS WITH CEMA AREA LIMITED OFFICIAL USE

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WAS HALVED. END SUMMARY

2. HUNGARY'S IMPORTS FROM ITS CEMA PARTNERS ROSE 16 PERCENT DURING THE FIRST SIX MONTHS OF 1974 WHILE EXPORTS WERE UP ONLY 5 PERCENT. AS RESULT HUNGARY WAS ABLE TO REDUCE THE SIZABLE, UNDESIRABLE TRADE SURPLUS WHICH IT HAS CARRIED WITH ITS CEMA PARTNERS DURING RECENT YEARS TO 701.9 MILLION DEVISA FORINTS (DFT) AS COMPARED TO A 1.7 BILLION DFT SURPLUS RECORDED DURING FIRST HALF OF 1973. ONE OF PRIME REASONS FOR LARGE JUMP IN IMPORTS FROM CEMA IS LARGER HUNGARIAN PURCHASES OKRCEMA MACHINERY, WHICH ROSE BY 30 PERCENT IN COMPARISON TO 1973. DURING FIRST SIX MONTHS OF 1974, HUNGARIAN ENTERPRISES, ENCOURAGED NO DOUBT BY VERY FAVORABLE CREDIT TERMS OFFERED FOR PURCHASE OF CEMA ORIGIN MACHINERY, IMPORTEE TWICE AS MANY MACHINE TOOLS, 50 PERCENT MORE TEXTILE MACHINES, FOUR TIMES AS MANY RAILROAD FREIGHT CARS (1,200 PIECES), AND THREE TIMES AS MANY TRUCKS (8,970 PIECES).

3. HUNGARY'S BALANCE OF TRADE WITH NON-CEMA PARTNERS WEAKENED NOTICABLY DURING FIRST HALF OF YEAR. MINISTRY OF FOREIGN TRADE REPORTS A 11 PERCENT DETERIORATION IN HUNGARY'S TERMS OF TRADE WITH NON-CEMA COUNTRIES AS LEVELS OF IMPORT PRICES WERE UP 40 PERCENT OVER 1973, WHILE PRICES OF HUNGARIAN EXPORTS ROSE ONLY 24 PERCENT. TOTAL VALUE OF HUNGARIAN EXPORTS TO THE NON-RUBLE AREA INCREASED 47 PERCENT WHILE THAT OF IMPORTS JUMPED 60 PERCENT, LEAVING HUNGARY WITH A 2.26 BILLION DFT DEFICIT IN TRADE WITH THIS AREA, COMPARED TO A 937 MILLION DFT DEFICIT FOR SIMILAR PERIOD IN 1973. EXPORTS OF HUNGARIAN MACHINERY FOR HARD CURRENCY CONTINUED TO LAG AND MADE UP ONLY 13 PERCENT OF TOTAL EXPORTS TO THE NON-RUBLE AREA, A SOMEWHAT SMALLER SHARE THAN LAST YEAR. ON THE OTHER HAND, PROPORTION OF AGRICULTUREAL AND FOOD EXPORTS ROSE FROM 39 PERCENT OT 44 PERCENT WITH LARGE INCREASES IN WHEAT EXPORTS AT HIGH PRICES ACCOUNTING FOR MUCH OF THIS RISE. EARNING FROM HUNGARY'S BEEF EXPORTS WERE 22 PERCENT LESS THAN IN FIRST HALF OF 1973, ALTHOUGH THE VOLUME OF SUCH SHIPMENTS WAS 15 PERCENT HIGHER.

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4. OFFICIALS ACKNOWLEDGE THAT CHANCES OF HUNGARY'S REPEATING LAST YEAR'S STRONG FOREIGN TRADE PERFORMANCE, WHICH SAW SURPLUS IN TRADE WITH NON-CEMA COUNTRIES ARE VIRTUALLY NON-EXISTANT. BEEF EXPORTS WHICH ACCOUNTED FOR AT LEAST \$150 MILLION (OR 10 PERCENT) OF TOTAL HARD CURRENCY EARNINGS LAST YEAR APPEAR NOW TO BE A PARTICULAR WEAK SPOT, DUE TO EEC BAN ON SUCH IMPORTS. WHILE OFFICIALS CLAIM THAT HUNGARY NOT AFFECTED BY EEC ACTION AS

ADVERSELY AS NEIGHBORING YUGOSLAVIA, DUE TO SOVIET UNION'S WILLINGNESS TO ACCEPT HUNGARINA BEEF, EEC ACTION CLEARLY HURTING AND HAS BEEN SUBJECT OF CONSIDERABLE ACCOUNT OF ACERBIC COMMENT IN HUNGARIAN PRESS.

5. NEVERTHELESS, OVERALL THE HUNGARIAN TRADE POSITON IN GENERAL MORE FAVORABLE THEN THOSE OF MOST OF ITS NEIGHBORS, AND IF EXPERIENCE OF PAST YEARS HOLDS THIS YEAR, SIZE OF TRADE DEFICIT WITH WEST SHOULD BE REDUCED SOMEWHAT DURING SECOND HALF OF YEAR. FINALLY, ALTHOUGH HUNGARY HAS INCREASED FOREIGN BORROWING THE APPARENT SIZE OF ITS FOREIGN DEBT IS STILL MODERATE AND HUNGARIANS COULD PRESUMABLY ARRANGE ADDITIONAL FINANCING

WITHOUT A GREAT DEAL OF DIFFICULTY SHOULD THIS BECOME NECESSARY.
PEDERSEN

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